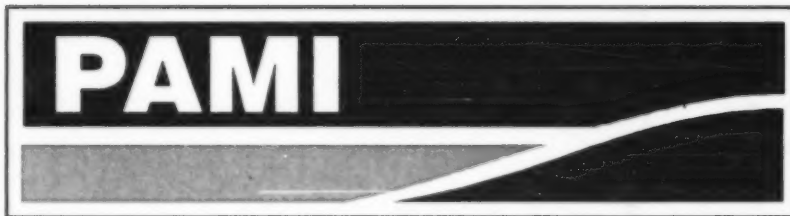


# *Fields of Opportunity*



Prairie Agricultural Machinery Institute

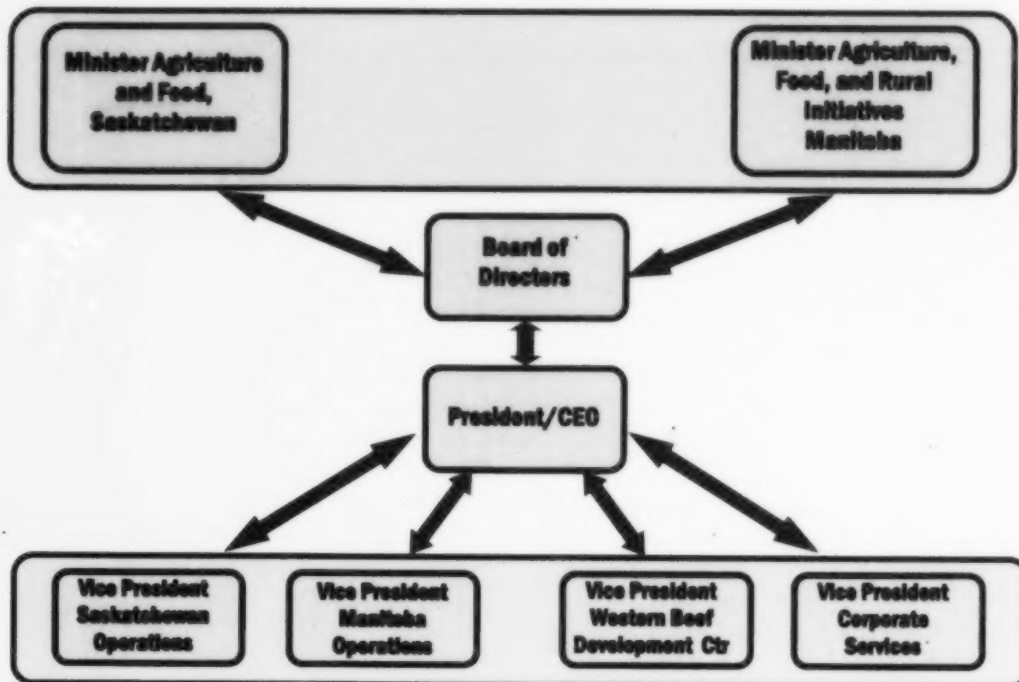
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## **2006-2007 Annual Report**

## Mission Statement

PAMI drives economic development by applying innovative technologies on a fee-for-service basis. Our unique, dynamic, hands-on team serves clients in:

Agricultural production and processing  
Transportation, and military vehicles and systems  
Related industries



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**PAMI**

Humboldt, Saskatchewan

March 31, 2007

Honourable Mark Wartman  
Minister of Agriculture and Food,  
Province of Saskatchewan

Honourable Rosann Wowchuk  
Minister of Agriculture, Food and Rural Initiatives,  
Province of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2007.

Respectfully submitted,



Lorne Christopherson  
Prairie Agricultural Machinery Institute



Honourable Rosann Wowchuk  
Minister of Agriculture, Food and  
Rural Initiatives,  
Province of Manitoba

March 31, 2007

Honourable Dr. Gordon L. Barnhart  
Lieutenant Governor,  
Province of Saskatchewan  
Chancellor of the Saskatchewan Order of Merit

Your Honour,

I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2007. It includes the Financial Statements audited by the Provincial Auditor.

Respectfully submitted,



Honourable Mark Wartman  
Minister of Agriculture and Food,  
Province of Saskatchewan



Honourable Mark Wartman  
Minister of Agriculture and Food,  
Province of Saskatchewan

## Chairman's message



**Lorne Christopherson**  
Chairman,  
Prairie Agricultural Machinery  
Institute

On behalf of our Board, I'm pleased to report on our progress during the 2006/07 business year. This year provided real evidence of the opportunities in agriculture and the bio-economy. Commodities are strengthening because of new avenues of utilization and because health and food safety are creating new opportunities for agriculture as a solution provider.

Growth and retooling have been key strategic activities for PAMI this year. We renewed our strategic direction through visioning and planning sessions with our operating executive during the year. At the same time the organization has been able to bring in new technologies and assets to provide opportunities in bio-energy and livestock production to add to our current strengths. We thank our provincial stakeholders, the governments of Saskatchewan and Manitoba, for the

substantial ongoing and additional investments they have made to our organization this year.

Again this year, we said farewell to a retiring Board member and welcomed a new director. Loren Katzenberger retired from his role as Chair and representative of the equipment manufacturing sector on our Board during the year. I have the honour of taking the Chairman's role, and Gary Anderson has been appointed to represent manufacturers. We are glad for the continued service of Vice Chair, Bill Zettler, as well as provincial government representatives Abdul Jalil and Allan Preston on our Board.

In closing I would like to thank our executive and staff for their continued hard work over the past year and for their dedication to this organization. We have an important role to play in the early opportunities of the 21<sup>st</sup> century.

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### PAMI Board of Directors

**Lorne Christopherson**, Chairman  
Saskatchewan Producer

**Bill Zettler**, Vice-Chairman  
Manitoba Producer

**Dr. Abdul Jalil**  
Saskatchewan Agriculture  
and Food

**Dr. Allan Preston**  
Manitoba Agriculture, Food &  
Rural Initiatives

**Gary Anderson**  
AMC—Agricultural  
Manufacturers of Canada

A stylized, handwritten signature in black ink.

Lorne Christopherson  
Chairman,  
Prairie Agricultural Machinery Institute

## President's message

I have the honour once again of reporting on the business of PAMI for 2006/07.

We had another exceptional year in which we not only sustained, but escalated our growth trend. Since 2004/05 we more than doubled our revenue base to a new record of over \$7-million, while increasing our staff complement by 55%.

Support from our provincial government stakeholders is crucial to our operations. This year, in addition to base-grants, we received investments totalling \$4.4-million to create new technology capabilities in our organization. As well the Horned Cattle Purchases Fund invested in the operations of our Western Beef Development Centre.

We experienced increased demand for our research and technology work in the agricultural area, as well as in other provincial and national sectors including

transportation, military, and the like. The wide array of work undertaken stretched and broadened our capabilities, and thus equips us to best provide the kind of service our clients need.

With respect to our clients, we again measured their satisfaction with our work this year, and found it to total 9.2 out of 10. This is up from our score of 8.5 last year, and speaks of continuous improvement through our ISO 9001:2000 quality assurance system, now in its 9<sup>th</sup> straight year of good standing.

On behalf of our executive team, I'd like to thank PAMI's staff for their work in making this a banner year for our organization. There is much to be done to secure for Saskatchewan and Manitoba the opportunities that the emerging bio-economy offers. We look forward to the next years with tremendous anticipation.



**David Gullacher**  
President/CEO  
Prairie Agricultural Machinery  
Institute

A stylized, handwritten signature in dark ink, appearing to read 'D. Gullacher'.

David Gullacher  
President/CEO,  
Prairie Agricultural Machinery Institute

---

***We completed our 2006/07 year with a  
27.4% increase in revenue from 2005/06.***

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## Highlights—2006/07



### **The Prairie Agricultural Machinery Institute**

**The Prairie Agricultural Machinery Institute (PAMI)** was established in 1975 as an applied research, development, and testing organization to provide a unique resource to farmers and agricultural machinery manufacturers on the Canadian prairies. After more than 30 years, PAMI's client base has expanded to include the cattle, transportation, military/peacekeeping, aeronautics, forestry, and mining industries. PAMI supports this client base with a staff of 50 engineering, technical, and administrative specialists.

PAMI earns about 75 per cent of its revenue from fee-for-service work for its clients. The remainder is provided through grants by the governments of Saskatchewan and Manitoba. PAMI provides its services through technical divisions in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba. PAMI is ISO 9001:2000 registered.

The 2006-07 fiscal year was an exciting and busy year at PAMI. Overall revenues were up almost 28% while staffing numbers increased by about 55%. A strengthening agricultural economy coupled with increased needs in the military/peacekeeping areas were the major contributors to these increases.

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### **Harvest and Post-Harvest Technologies**

As the world focuses on a greener more efficient future, it may seem that traditional agriculture might become obsolete. The reality is that it may well become an even more important player. The demands on agriculture will increase, not only for food and feed, but also for energy, industrial feedstock, health product extracts, building materials, and a source of elemental building blocks for green products.

Demands for quality and quantity with purity and identity preservation are emerging. This applies not only to seed, but also to crop by-products.



**Whole Crop Harvesting**

At the same time, there are increasing challenges that face agriculture, not the least of which is the escalating cost of energy. Energy costs cross all aspects of agriculture, from the costs of machinery to the costs of operating equipment, to the costs of processing and transporting the end products. The result is that new and innovative technology and practices are required to maximize efficiency through reduced inputs, utilization of available by-products, and maximizing output and productivity.

## Highlights—2006/07

Efforts over the past year reflect these new challenges and include continued development and the release of a software program to show the impact of machinery selection on the cost of various harvesting tasks. This, though targeted at the implications of recovering crop by-products, also includes effects for the entire harvesting process.

Field trials were conducted in partnership with Agriculture and Agri-Food Canada, Saskatchewan Flax Council, and Above Board Inc. to determine if by-product quantity and quality could be increased through stripper header technology. Various new crops and products were subjected to some post-harvest processing.

We have also maintained our traditional role in assisting manufacturers with the development and refinement of harvesting equipment to meet Western Canadian needs for performance and efficiency.

Our close ties with PAMI's Western Beef Development Centre (WBDC) have again allowed us to assist in improving equipment performance for hunching straw and chaff for their ongoing feeding system research.

The 2006/07 fiscal year has also been a year of redefining PAMI's agriculture/bio-resource structure. Our history has been to distinguish farming tasks, such as crop production, harvesting, and processing, and then develop specialized projects for each. To accommodate the ever-increasing interaction between various farming tasks, we are looking at a more integrated approach to handle the new realities facing agriculture. Energy, fuels, and new crops and derived products that may be produced on the farm demand a much more integrated approach. We look forward to converting these challenges into efficient and innovative solutions and practices that will strengthen and support the agricultural community through value-added opportunities and increased efficiency, while leaving a friendlier environmental footprint.



**Stripper Harvesting Flax**

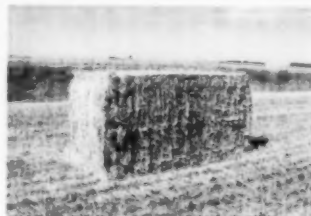
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**From April 1/05 to March 31/07  
PAMI increased staff numbers  
by 55%.**

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**Windrowing and Baling of Whole Crops**





# Highlights—2006/07

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*PAMI is always working to find and develop new agricultural technologies.*

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## Agricultural Production Technologies

Continuous improvement in crop production machinery and technologies is the focus of the crop production technology group at PAMI. Producers continue to look for new crops that can be produced and/or processed on the Prairies. Along with these activities, projects are conducted into other areas such as fertilizer application, pest control, and organics.

### Early Application of Anhydrous

PAMI has partnered with a client to conduct research in determining if  $NH_3$  can be applied earlier in the fall by using inhibitors to prevent N loss. Two test sites have been established and trials will be conducted over a period of three years, starting in the fall of 2006.

### Solid Manure Injection

PAMI, in partnership with the University of Saskatchewan, has built a full-scale solid manure applicator that will undergo testing in the 2007/08 fiscal year. If successful, the applicator will allow producers to inject solid manure into fields thus reducing odour and nutrient losses, and minimizing greenhouse gas emissions.



**Solid Manure Injection System**

### Farm Equipment Assessment

PAMI's engineering and technical staff have been working with a rural Manitoba manufacturer to assess performance of a soil spreading scraper. Information obtained from these tests will be

incorporated into the manufacturing process to help minimize the risks when the scraper is put into mass production.

### Corn Silage Production

PAMI, in partnership with a producer (a prairie manufacturer), conducted a project funded by Manitoba Rural Adaptation Council, Inc. to conduct a study to demonstrate the viability of solid seeded corn silage sown with a common air seeder versus traditional planting techniques. Various seeding rates were also a part of the trials, while performance indicators were yield and food quality/nutrition content.

### Agro-Forestry

PAMI and the Saskatchewan Forest Centre have teamed up to provide a silvopasture demonstration site to determine if the practice of growing trees is feasible in Saskatchewan. While this practice appears to offer a good return on investment, it may take up to 20 years to mature the trees for harvest.

This was the second year of the demonstration which required some replanting





## Highlights—2006/07

of trees that were lost to competition from weeds, alfalfa, and grass. To overcome this competition, PAMI has

included a mulch around each tree to help the tree to get a strong start.

### Bio-Energy and Processing

The increasing costs of fossil fuels have spurred an increased interest in alternative energy sources. PAMI staff have been following this with great interest. Staff have attended local, national, and international conferences to learn as much as possible. PAMI will be teaming up with other organizations and researchers to help develop this industry.

Also, in March of 2007, Saskatchewan Agriculture and Food awarded PAMI an endowment of \$3.3M to establish a Bio-Energy and Processing Research Chair at PAMI. This will enable PAMI to assemble a leader and a team of engineers to enhance its equipment and facilities for research and development work in this area.

#### Converting Organic Waste to Energy

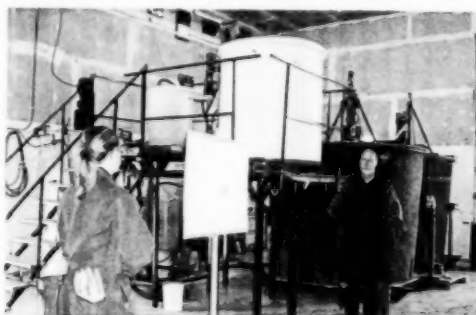
Saskatchewan Industry and Resources and Western Economic Diversification provided funding for PAMI to design and build a pilot-scale biodigester.

A biodigester uses heat and bacteria to break down organic matter such as manure, waste products from livestock operations, abattoirs, waste grain products, and municipal wastes. Bacteria interacts with the

waste biogas and liquid fertilizer.

Heat can be used for on-site buildings while the electricity can be sold to the local town grid. Biogas can be cleaned and sold to local natural gas suppliers.

Producing renewable energy reduces our dependency on fossil fuels and helps to protect the environment by reducing greenhouse gasses.



**Pilot-scale Biodigester**



**Silvopasture Project —**  
research into combining  
harvestable trees and range  
land.

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**PAMI received \$3.3 M to  
establish a Bio-Energy and  
Processing Research Chair.**

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**PAMI**

# Highlights—2006/07



**Centre of Gravity Test**

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*Applied Technology projects assist clients with producing better products, thus ensuring consumer confidence when making buying decisions.*

---



**Durability Testing of Military Trucks**



## **Industry & Transportation**

PAMI's extensive experience with agricultural equipment provides an excellent experience base for PAMI staff to support other industries. There are many industries in the provinces of Saskatchewan and Manitoba that need engineering and testing support. This support to these provincial manufacturers is of great value in assisting them with marketing a safe and reliable product.

During the year, standards compliance tests were conducted on vehicles such as ambulances and semi trailer units. Analysis included tests on heating and air systems, seat belts, sound, lighting, rear impact guards, bumpers, and safety assessments.

## **Peacekeeping & Defence**

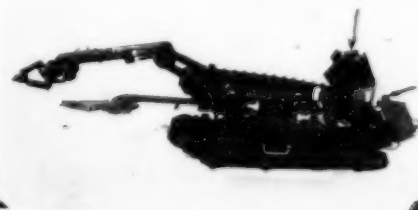
PAMI has a Government-to-Government Memorandum of Understanding (MOU) with the Department of National Defence (DND) and its research arm, Defence R & D Canada. Through the MOU, PAMI provides engineering services and testing to support DND programs and troops deployed overseas.

PAMI's engineering and fabricating services were instrumental in developing prototype armour for four different

military vehicles to protect them from ballistics and explosives. To further support this initiative, PAMI is developing a modeling group to allow theoretical testing of ballistic explosive threats instead of expensive physical testing. This modeling group will also have many agricultural and industrial applications.

The DND uses robotics in many of their applications. Selecting the proper equipment is always a challenge, so PAMI was engaged to perform comparative tests on competitive units. The units were put through a battery of tests that provided results for DND to select the unit most suited for their needs.

Land mines are a major issue in many countries where Canadian troops are posted. PAMI has worked with DND to develop and test a prototype roller that will detonate land mines in areas deemed to have a lower risk of land mines. Agricultural applications such as packing and tractors were very useful in developing this concept.



**Evaluation of Miniature Robots Used for Improvised Explosive Devices Removal**

## Farm Safety

PAMI continues working with the Canadian Agricultural Safety Association (CASA) with special efforts on improving the safety of older farm equipment.

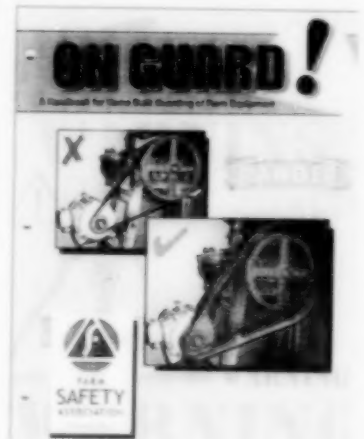
### Guarding of Older Machinery

About three years ago, PAMI developed a guidebook titled *On Guard* to help farmers build their own guarding for older equipment. It was based on Canadian and American standards for guarding new farm equipment. The guidebook is written in farmer-friendly terms with many pictures and schematics. This document is on the PAMI web site and continues to be of interest to Canadian farmers and safety professionals as well as to many from the international community. This past year the Ontario Farm Safety Association printed 12,000 copies of the guide and released it at their annual conference in Niagara Falls. A PAMI engineer was on hand to give a half-day presentation to introduce the guidebook and train the attendees on proper usage by running through examples.

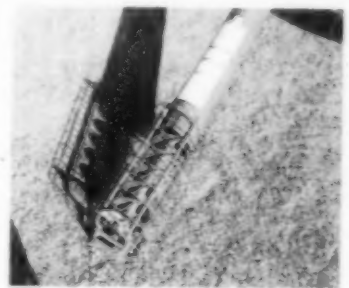
### Canadian Standard for Portable Agricultural Augers

PAMI had conducted a project several years ago focused on improving the guarding intakes on portable agricultural augers. Continued interest has

initiated more research in this area. Specifically, the Canadian Standards Association Technical Committee for Agricultural Machinery has initiated a project to develop a Canadian standard for portable agricultural grain augurs. A subcommittee has been formed with members from the farming, manufacturing, regulatory and general interest sectors. They are looking at existing agricultural auger standards from around the world, with special focus on the American Society of Agricultural and Biological Engineers standard which was developed in the USA about 30 years ago and modified several times since then. Over fifteen international documents are being reviewed. The Canadian standard would adopt applicable sections from other existing standards and determine if there were special sections required to deal with unique Canadian requirements. Some of the items being considered include auger intake guarding, swing augers, cables, and bin sweeps. The new standard is targeted for completion in 2008.



The "On Guard" Guidebook



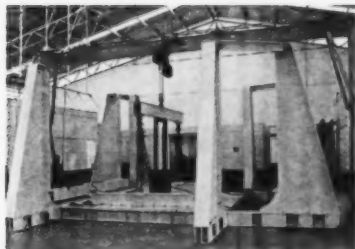
PAMI's work on auger guards has led to a project with the Canadian Standards Association.

**PAMI**

# Highlights—2006/07

## National and International Activities

PAMI has gained international recognition for its independent testing and research activities. During the year, PAMI staff travelled to Australia, Germany, Mexico and the United States to assist clients with their testing needs.



**ROPS equipment installation at INIFAP in Mexico.**

In Mexico, PAMI staff completed the installation and commissioning of an extensive tractor testing facility for Instituto Nacional de Investigaciones Forestales, Agrícolas y Pecuarias (INIFAP). PAMI assisted INIFAP in the design of fixtures, instrumentation, and data acquisition software. PAMI also trained the staff on the use of the equipment.

Agricultural safety work has also gained national recognition for PAMI. Safety projects conducted by PAMI are applicable to farm machinery across Canada.

## Agricultural Partnerships

Maintaining partnerships with industry, governments and other organizations is a key element in serving the agricultural industry and community at large. PAMI is operating in a knowledge-based environment that requires a continuing exchange of information.

Examples of recent partnering included attending several ag/bio-energy sector events. Approximately 20 beef industry conferences were attended, partnerships include ongoing liaisons with supporting provincial government agencies and as well, the federal government. Throughout the past year, PAMI's President/CEO co-chaired Saskatchewan's Farm Leaders' Advisory Group (FLAG).

Ongoing partnerships are maintained with the Universities of Saskatchewan and Manitoba, the Saskatchewan Forestry Centre, Canadian Agricultural Safety Association, Agricultural Manufacturers of Canada, and various producer associations. These partnerships enable PAMI to keep in touch with recent developments in the industry and, at the same time, partner in joint projects to advance technologies in special areas.

## Information Services

Providing information to producers, clients, and researchers continues to be an important activity within PAMI. Along with maintaining websites for PAMI, WBDC, and WESTEST, PAMI staff attend trade shows, seminars, conferences, and meetings. PAMI's research library is also a valuable resource for producers and staff.

Along with the above activities, information services staff hosted various tours, TV and radio interviews, issued press releases, and placed numerous promotional advertisements.

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***PAMI is known around the world for its information on agricultural equipment and practices.***

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**Western Beef**  
Development Centre  
Division of PAMI

### **WESTERN BEEF DEVELOPMENT CENTRE**

**The 2006/07 fiscal year** was the second year that the Western Beef Development Centre (WBDC) operated as an independent division of PAMI. Through its mission "To maximize the profitability of the cow/calf industry in Saskatchewan", the centre combines animal and plant science with machinery engineering to research the many aspects of livestock production.

The WBDC operates two locations; approximately 1900 acres of primarily perennial forage crops and pasture at Lanigan, and an additional 960 acres of summer pasture is available at the Pathlow Pasture near Melfort. The herd consists of 300 cow/calf pairs. Handling facilities provide for capacity for up to 1500 head.

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### **Staffing and Funding**

During the year Paul Jefferson was hired as manager of the WBDC. Paul brings many years of experience in cattle production research to the organization. Also during the year, Saskatchewan Agriculture and Food announced funding of \$1.1M to purchase a new cattle herd and, as well, to upgrade capital equipment and facilities over the next three years.

Additional funding for the WBDC is provided through an annual grant from the Canada-Saskatchewan Agri-Food Innovation Fund, two strategic research chairs funded by Saskatchewan Agriculture and Food, the sales of the annual calf crop, and fee-for service activities.

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*The new purebred cattle herd will be a tremendous resource for conducting future research.*

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### **WBDC Strategic Advisory Committee**

#### **Producers**

Lorne Christopherson, Chair  
Rick Toney  
Tim Oleksyn  
Bob Ivey  
Pat Hayes  
Dale Sigurdson  
Gary Wellbrock

#### **Research Community**

John McKinnon, U of S  
Murray Jelinski, U of S

#### **Government Departments & Agencies**

Greg Haase, SAF  
Jim Armstrong, SAF  
John Popp, MAFRI  
Rick Gaube, PFRA

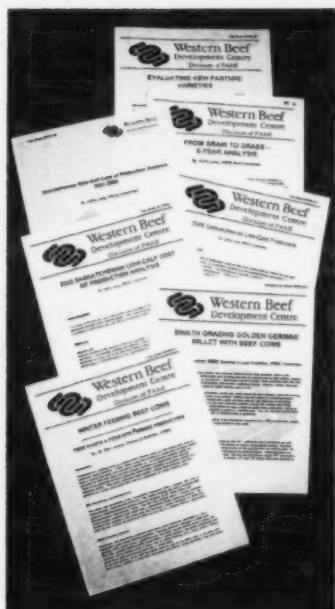
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# Highlights—2006/07

## Beef Cattle Research

Through its extensive project activity the WBDC generates valuable information for producers, clients, and researchers. During the year staff attended numerous seminars, conferences, trade shows, and meetings to provide information to potential users. In late June of each year, the WBDC hosts an annual Field Day for producers to attend to obtain the latest available information.



**"I read, with interest, your cow/calf cost analysis. Excellent work! More producers should be enrolled. Keep up the good work!"**

**-Stan Eby, Canadian Cattlemen's Association**

### Backgrounding with Extended Fall Grazing of Annuals

This two-year project evaluates annual forages for their economics, production potential and use in low-cost backgrounding systems for calves.

The objectives of the study are to study the effects of various grazing and feeding periods on the performance and carcass traits of steers; monitor the health of calves in each of the backgrounding systems; evaluate backgrounding costs of grain for cattle for new and traditionally grown cereal forages in comparison to drylot backgrounding systems; to compare forage quality and availability from the different annual forages throughout the grazing season, and evaluate the per-

formance and carcass characteristics of calves during the finishing phase.

### Time of Calving Trials

This is a three-year project to evaluate the effects of early (March/April) compared to late (May/June) calving on beef cow and calf performances up to weaning.

The project will also evaluate the effects of early versus late calving on calf performances post-weaning under two different backgrounding/finishing regimes, as well as determine if harvested and/or purchased feeds and labour could be reduced and sustainability and profitability improved by late calving, thus matching the cows' nutrient requirements with nutrients provided by grazed forages.

The impacts of early versus late calving systems on costs and benefits to cow/calf producers, and on strategies for marketing the weaned calf and retaining the weaned calf into finishing will also be evaluated.



**Western Beef**  
Development Centre  
Division of PAMI



### WESTEST

Since its inception in 1996, Western Canada Testing Inc. (WESTEST) has acquired a considerable inventory of specialized test equipment. WESTEST facilities continue to provide significant benefit to manufacturers in the transportation, agricultural, and other related industries. WESTEST is guided by its own board of directors and is ISO 9000-2000 registered. Personnel for WESTEST are provided by PAMI on a contract basis.

The most recent acquisition, a tow dynamometer, is available to assist the transportation industry with development of their products. The tow "Dyno" is a computerized rolling laboratory designed to be pulled by a truck, highway coach, or similar vehicle to place a simulated load on the vehicle. Loads can be varied to simulate various driving conditions and provide useful information on components such as engines and cooling systems.

WESTEST clients also have access to the multi-axil simulation table (MAST). The MAST equipment can be used to obtain a true, accurate, accelerated simulation of the real life of a component or assembly.

The force and simulation laboratory continues to be used on a regular basis by WESTEST clients. Using the organization's extensive data acquisition equipment, field data in actual working conditions can be recorded and used to simulate actual working conditions in a laboratory environment.

Other facilities and services provided by WESTEST include a large, drive-in environmental chamber allowing tests to be conducted in a wide range of environmental conditions. WESTEST also has a rotary mower test facility that manufacturers can access to ensure that their products conform to industry standards.

Various types of bulk packages are used to ship many commodities today. WESTEST conducts tests for clients to ensure that these containers are suitable for the purpose for which they were designed.



Ditcher

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#### WESTEST Board of Directors

**Jerry Engel** Chairman  
**Roger Ludwick**, Vice-Chairperson

**Phil Reeves**  
**Robert Malcolm**  
**Don Watt**  
**Loren Katzenberger**  
**Ken Swaving**  
**Doug Hilsabeck**  
**Carol Vibert**  
**Gary Anderson**

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# Auditor's Report

## To the Members of the Legislative Assembly of Saskatchewan

I have audited Prairie Agricultural Machinery Institute's (Institute) control as of March 31, 2007 to express an opinion as to the effectiveness of its control related to the following objectives:

- To safeguard public resources. This is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of the Institute's control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Institute's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by the CICA. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of the Institute's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities, and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, the Institute's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2007 based on the CICA criteria of control framework.



Regina, Saskatchewan  
June 15, 2007

Fred Wendel, CMA, CA  
Provincial Auditor

## To the Members of the Legislative Assembly of Saskatchewan

I have made an examination to determine whether Prairie Agricultural Machinery Institute complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2007.

The Prairie Agricultural Machinery Institute Act, 1999  
The Prairie Agricultural Machinery Institute Regulations, 1999  
Orders in Council issued pursuant to the above Legislation  
Ministers Orders pursuant to the above legislation

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the Institute has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2007.



Regina, Saskatchewan  
June 15, 2007

Fred Wendel, CMA, CA  
Provincial Auditor

# Auditor's Report

## Management's Responsibility for Financial Statements

The Financial Statements and other related financial information contained in the annual report are the responsibility of management and have been approved by PAMI's Board of Directors.

Preparation of these statements has been done according to Canadian generally accepted principles. Financial data elsewhere in the annual report are consistent with information contained in the financial statements.

PAMI maintains a system of internal controls designed to provide reasonable assurance that the financial information is reliable and that the corporate assets are safe-guarded. The Provincial Auditor for Saskatchewan is appointed by legislation to annually audit the accounts and financial statements of PAMI. His report follows.

## FINANCIAL STATEMENTS

For the Year Ended  
March 31, 2007



David Gullacher,  
President/CEO



Barrie Broad,  
Vice President,  
Corporate Services

## To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of Prairie Agricultural Machinery Institute as at March 31, 2007 and the statements of revenues, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Fred Wendel, CMA, CA  
Provincial Auditor

Regina, Saskatchewan  
June 15, 2007

**Statement 1****PRAIRIE AGRICULTURAL MACHINERY INSTITUTE  
BALANCE SHEET****As at March 31**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Current:		
Cash	\$ 3,495	\$ 2,200
Due from General Revenue Fund (Note 3)	1,096	512
Accounts receivable	1,823,805	1,847,254
Prepaid expenses	147,566	110,033
Grant receivable	150,000	-
Inventory	<u>41,070</u>	<u>61,081</u>
	2,167,032	2,021,080
Restricted cash	5,000	60,818
Property, plant and equipment (Note 4)	3,127,939	3,197,384
Intangible assets (Note 5)	<u>88,792</u>	<u>118,390</u>
	<u>\$ 5,388,763</u>	<u>\$ 5,397,672</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current:		
Bank indebtedness (Note 6)	\$ 348,046	\$ 664,551
Accounts payable and accrued liabilities	1,085,005	1,005,889
Unearned revenue	<u>169,239</u>	<u>182,577</u>
	<u>1,602,290</u>	<u>1,853,017</u>
Deferred capital grants	1,739,581	1,890,171
Due to Government of Alberta (Note 7)	<u>23,938</u>	<u>23,938</u>
	<u>1,763,519</u>	<u>1,914,109</u>
Total liabilities	3,365,809	3,767,126
Net assets (Statement 2)	<u>2,022,954</u>	<u>1,630,546</u>
	<u>\$ 5,388,763</u>	<u>\$ 5,397,672</u>
Commitments (Note 8)		

(See accompanying notes to the financial statements)

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE  
STATEMENT OF REVENUES, EXPENSES AND NET ASSETS  
Year Ended March 31**

	<u>Budget</u> (Note 13)	<u>2007</u>	<u>2006</u>
<b>Revenues</b>			
Provincial transfers:			
Saskatchewan			
Department of Agriculture and Food			
- operating	\$ 600,000	\$ 750,000	\$ 600,000
- capital	128,000	150,590	191,105
Agri-food Innovation Fund	300,000	355,818	214,182
Horned Cattle Fund (Note 11)	150,000	120,720	151,453
Manitoba			
Department of Agriculture, Food and Rural Initiatives	<u>260,000</u>	<u>259,682</u>	<u>259,682</u>
	1,438,000	1,636,810	1,416,422
Fee for service	3,702,820	5,532,004	4,249,780
Interest income	-	2,500	931
Subscription income	2,000	1,977	5,458
Other income	<u>16,000</u>	<u>59,708</u>	<u>5,402</u>
Total revenues	<u>5,158,820</u>	<u>7,232,999</u>	<u>5,677,993</u>
<b>Expenses</b>			
Salaries and benefits	2,823,618	3,239,827	2,791,130
Other operating	2,147,620	3,333,576	2,397,149
Amortization	<u>257,000</u>	<u>267,188</u>	<u>262,209</u>
Total expenses (Schedule 1)	<u>5,228,238</u>	<u>6,840,591</u>	<u>5,450,488</u>
Excess (deficiency) of revenues over expenses	(69,418)	392,408	227,505
Net assets, beginning of year	<u>1,630,546</u>	<u>1,630,546</u>	<u>1,403,041</u>
Net assets, end of year (Statement 1)	<u>\$ 1,561,128</u>	<u>\$ 2,022,954</u>	<u>\$ 1,630,546</u>

(See accompanying notes to the financial statements)

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE**  
**STATEMENT OF CASH FLOWS**  
**Year Ended March 31**

	<u>2007</u>	<u>2006</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers and others	\$ 5,661,543	\$ 3,128,229
Transfers from Saskatchewan	1,020,720	1,065,264
Transfers from Manitoba	259,682	259,682
Payments to suppliers and employees	(6,477,177)	(4,551,555)
Interest paid	(26,855)	(27,074)
Interest received	2,500	931
	<u>440,413</u>	<u>(124,523)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(178,497)	(116,908)
Purchase of intangible assets	-	(147,987)
Proceeds from sale of property, plant and equipment	650	6,500
	<u>(177,847)</u>	<u>(258,395)</u>
<b>Cash flows from financing activities:</b>		
Receipt of capital grants from Saskatchewan	-	266,189
Decrease (increase) in restricted cash	55,818	(60,818)
	<u>55,818</u>	<u>205,371</u>
Net increase (decrease) in cash position	318,384	(177,547)
Cash position, beginning of year	<u>(661,839)</u>	<u>(484,292)</u>
Cash position, end of year	<u>\$ (343,455)</u>	<u>\$ (661,839)</u>
Comprised of:		
Cash	\$ 3,495	\$ 2,200
Due from General Revenue Fund	1,096	512
Bank indebtedness	(348,046)	(664,551)
	<u>\$ (343,455)</u>	<u>\$ (661,839)</u>

(See accompanying notes to the financial statements)

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2007**

**1. Status of Institute**

The Prairie Agricultural Machinery Institute (Institute, PAMI) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture and food industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province (about 70% and 30% respectively).

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on one customer for continued fee for service. This customer accounts for 59% (2006 - 28%) of its fee for service revenue.

**2. Significant accounting policies**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

**a) Revenue recognition**

The Institute recognizes provincial transfers when received or receivable. The Institute's operations are funded by the Government of Saskatchewan (Saskatchewan) and the Government of Manitoba (Manitoba) according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the provincial transfers.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts and subscriptions using the percentage of completion method. It records monies received prior to providing services and subscriptions received for future periods as unearned revenue.

The Institute defers capital grants for property, plant and equipment until the related assets are put in use and amortized. It recognizes capital grants as revenue equal to the amount of amortization charged for those assets. Unspent capital grants are recorded as restricted cash.

**b) Inventory**

Inventory is valued at the lower of cost and net realizable value.

**c) Property, plant and equipment**

## Notes

Property, plant and equipment costing over \$1,000 are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using the declining balance method over the asset's estimated useful life at the following rates:

Buildings	5%
Equipment, furniture, and vehicles	10%
Computer equipment	30%

### d) Intangible assets

Intangible assets are recorded at cost less accumulated amortization. These assets are being amortized over their estimated useful life of five years.

### 3. Due from General Revenue Fund

Due from General Revenue Fund is monies held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2007, the average interest rate was 4.15% (2006 – 2.82%).

### 4. Property, plant and equipment

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 4,165,471	\$ 2,314,406	\$ 1,851,065	\$ 1,948,489
Equipment	1,947,111	1,223,166	723,945	705,490
Land and improvements	279,841	-	279,841	279,841
Furniture	145,843	120,492	25,351	18,580
Vehicles	396,433	241,258	155,175	174,464
Computer equipment	393,800	301,238	92,562	70,520
	<u>\$ 7,328,499</u>	<u>\$ 4,200,560</u>	<u>\$ 3,127,939</u>	<u>\$ 3,197,384</u>

### 5. Intangible assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible assets	<u>\$ 147,987</u>	<u>\$ 59,195</u>	<u>\$ 88,792</u>	<u>\$ 118,390</u>

As part of the transfer of the operations of Western Beef Development Centre to PAMI, the Institute obtained the Centre's trade name, logo and mailing lists for its use in future operations.



## 6. Bank indebtedness

The Institute is authorized to borrow up to \$1.0 million under its legislation. The Institute has established a line of credit of \$700,000 with a bank and assigned its accounts receivable as collateral. It incurs interest at the bank's prime rate.

## 7. Due to Government of Alberta

When the Government of Alberta terminated its participation in 1988, the Institute, by agreement, owed Alberta 35% of the Institute's net assets as of March 31, 1988. In lieu of transferring net assets to the Government of Alberta, the Institute has agreed to perform services for Alberta. Due to the nature of this payable, its fair value cannot be readily determined.

## 8. Commitments

The Institute has agreed to provide future services without charge for several research and development contracts. At March 31, 2007, the value of these services totals \$222,490 (2006 - \$120,282).

Lease terms on equipment and land range from 3 to 10 years. In 2007, these lease costs totalled \$53,083 (2006 - \$34,301). The Institute is required to make the following minimum lease payments on these leases:

2008	\$ 31,197
2009	21,565
2010	16,885
2011	13,691
2012	4,336
2013	62

## 9. Financial instruments

### a) Fair value

The fair values for the following financial instruments approximate their carrying values due to the immediate or short-term nature of these instruments:

- i) accounts receivable
- ii) bank indebtedness
- iii) due from General Revenue Fund
- iv) accounts payable and accrued liabilities
- v) grant receivable

### b) Credit risk and currency risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The credit risk on these accounts receivable is minimal because most

## Notes

contracts are with provincial and/or federal governments or well-established large private companies. The Institute is exposed to currency risk when the value of its accounts receivable denominated in U.S. currency fluctuates with changes in exchange rates. At year-end, these accounts receivable amounted to \$8,246 (2006 - \$138,741).

### 10. Related party transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

<u>Financial statements category</u>	<u>2007</u>	<u>2006</u>
Fee for service revenue	\$ 637,694	\$ 834,988
Operating expenses	572,045	716,654
Accounts receivable	26,937	131,851
Accounts payable and accrued liabilities	67,405	64,210
Unearned revenue	157,949	122,652

PAMI has leased land from the University of Saskatchewan for a nominal amount until 2012. In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

### 11. Contractual arrangements

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors for a certain percentage of the service fees from WESTEST clients. During the year, the Institute earned fee for service revenue of \$426,781 (2006 - \$445,368) from WESTEST. At year-end, accounts receivable includes \$76,391 (2006 - \$109,418) due from WESTEST.

The Institute has an agreement with the Horned Cattle Fund (a related party) for the use of the Fund's herd of 300 head of cattle. The Institute is responsible for the care, feeding, housing and management of the herd. All proceeds from cattle sales are directed to PAMI for its use in beef research and technology transfer.

### 12. Pensions

The Institute's employees participate in either the Saskatchewan Public Service Superannuation Plan, a multi-employer defined benefit pension plan, or the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. The Institute's responsibility is limited to paying the required employer contributions for its employees. Salaries and benefits include contributions of \$114,875 (2006 - \$96,962).

### 13. Budget

The budget for 2006/2007 was approved by the Board on March 28, 2006.

### 14. Subsequent Events

In April 2007, PAMI received \$1.1 million from the Department of Agriculture and Food to purchase a beef research herd of 300 cattle and research equipment. In April 2007, PAMI also received \$3.3 million from the Department of Agriculture and Food as an endowment to create a research chair in bio-energy and processing, subject to negotiation of an agreement with the Department.

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE  
SCHEDULE OF EXPENSES  
YEAR ENDED MARCH 31**

	<u>Budget</u>	<u>2007</u>	<u>2006</u>
Salaries and benefits	\$ 2,823,618	\$ 3,239,827	\$ 2,791,130
Shop supplies	577,018	1,148,989	824,568
Contractual services	310,867	793,685	394,548
Travel and vehicle operations	312,598	269,879	281,405
Amortization	257,000	267,188	262,209
Insurance, licences and property taxes	240,410	222,728	220,506
Stationery and office supplies	73,517	154,667	114,309
Repairs and maintenance - building and equipment	84,390	141,451	84,698
Farm expense	90,000	133,472	90,875
Utilities	156,700	132,905	131,620
Computer services	57,540	99,930	44,788
Telephone	54,000	54,705	53,292
Advertising and promotion	54,740	53,212	50,573
Lease – land and equipment	45,650	48,911	31,286
Interest expense	18,102	26,855	27,074
Professional and technical services	22,940	16,812	27,083
Reference material	14,078	13,092	9,263
Printing and binding	10,010	8,311	7,461
Bad debt expense	19,060	7,777	-
Honoraria	6,000	6,195	3,800
	<u>\$ 5,228,238</u>	<u>\$ 6,840,591</u>	<u>\$ 5,450,488</u>

# PAMI's Staff

## Corporate Management Team

Gullacher, David	President/Chief Executive Officer
Broad, Barrie	Vice President, Corporate Services, Quality Systems Manager
Chorney, Harvey	Vice President, Manitoba Operations
Wassermann, Jim	Vice President, Saskatchewan Operations
Jefferson, Paul	Vice President, Western Beef Development Centre

## Administrative & Financial Services

Bergermann, Carol	Controller
Britz, Myrna	Administrative Assistant
Emerson, Wendy	Administrative Supervisor, Quality Systems Coordinator
Haeusler, Marina	Resource Scheduler
Lepage, Dianne	Administrative Assistant
Malinski, Marilyn	Accounting Supervisor
Parisian, Aimee	Administrative Assistant
Szautner, Laurie	Administrative Supervisor, Quality Systems Coordinator

## Communication Services

Doepker, Sharon	Research Librarian
Freistadt, Brenda	Administrative Assistant
Sarauer, Allison	Administrative Assistant

## Western Beef Development Centre

Froehlich, Leah	Farm Research Technician
Lardner, Dr. Herbert	Cow/Calf Specialist
Nelson, Jonathan	Assistant Farm Supervisor
Widdifield, George	Farm Supervisor

## Technical Services

- including Harvesting, Soils and Crops, Energy and Processing, Applied Technologies, Mechanical Engineering, and Package Testing

Bjarnason, Tyrell	Project Leader
Burke, Harry	Project Development
Burton, Gregory	Computer Systems Administrator
Carmichael, Ken	Computer Systems Administrator, Instrumentation/Electronics Supervisor
Carr, Terry	Assistant Manager, Package Testing
Cropper, Robert	Project Leader
Cross, Errol	Project Technician
Gregg, Nathan	Project Leader
Grieger, Lorne	Manager, Agriculture Research and Development
Harmon, Jason	Computer Systems Technician
Hergott, Brent	Project Leader
Hill, Les	Project Development
Hultgreen, Gordon	Project Leader
Jorgenson, Larry	Project Leader
Kelly, Dave	Project Leader
Kosokowsky, Murray	Project Leader
Landry, Dr. Hubert	Project Leader
Leduc, Philip	Senior Manager, Research and Development
Lucyshyn, Troy	Project Development
Lung, Patricia	Project Leader
Marianchuk, Mark	Project Leader
Rhodes, Peter	Project Leader
Rude, Derek	Project Leader
Stock, Wayne	Project Leader
Swiddle, Steve	Project Development

## Shop Services

Bay, Ted	Supervisor
Cleaver, Cam	Project Technician
Doepker, Gordon	Maintenance
Hill, Charles	Fabricator
Kalthoff, Wes	Fabricator
Perlett, Darryl	Fabricator
Rauert, Andrew	Fabricator
Smith, Art	Supervisor

### **Corporate Services**

P.O. Box 1150, Highway #5 West  
Humboldt, SK S0K 2A0  
Phone: (306) 682-2555  
Fax: (306) 682-5080  
E-mail: [pami@sasktel.net](mailto:pami@sasktel.net)

### **Saskatchewan Operations**

P.O. Box 1150, Highway #5 West  
Humboldt, SK S0K 2A0  
Phone: (306) 682-5033  
Fax: (306) 682-5080  
E-mail: [humboldt@pami.ca](mailto:humboldt@pami.ca)

### **Manitoba Operations**

P.O. Box 1060, 390 River Road  
Portage la Prairie, MB R1N 3C5  
Phone: (204) 239-5445  
Fax: (204) 239-7124  
E-mail: [portage@pami.ca](mailto:portage@pami.ca)

### **Western Beef Development Centre**

Main Office, P.O. 1150 Highway #5 West  
Humboldt, SK S0K 2A0  
Phone: (306) 682-3139  
Fax: (306) 682-5080  
Email: [wdbc@pami.ca](mailto:wdbc@pami.ca)  
Research Farm, Box 700  
Lanigan, SK S0K 2M0  
Phone: (306) 365-3366  
Fax: (306) 365-3374

**Websites:** [www.pami.ca](http://www.pami.ca)  
[www.westest.ca](http://www.westest.ca)  
[www.wbdc.sk.ca](http://www.wbdc.sk.ca)